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**TARGET2-Securities (T2S) User Requirements Document (URD) and
Economic Impact Analysis (EIA) – public consultation**

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Dear Jean-Michel,

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Clearstream is writing this letter in response to the European Central Bank's invitation to comment on the current T2S public consultation. Please consider our comments as a further constructive input in a long row of contributions made of Clearstream to the T2S-Project during the last 21 months.

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In December 2007, European Central Bank (ECB) has provided the version 2.0 of the TARGET2-Securities (T2S) User Requirements Document (URD) and Economic Impact Analysis (EIA) for consultation, constituting an impressive compilation of expert knowledge on around 750 pages. Clearstream acknowledges the excellent work done by the T2S Project Team in cooperation with infrastructures and market participants.

Clearstream would like to express that the consultation documents provide a solid high level functional overview and description of the intended functionality of the new TARGET2-Securities (T2S) system and thereby in general constitute a sound basis to move to a more detailed specification phase.

Chairman of the
Supervisory Board:
Jeffrey Tessler

Executive Management:
Andreas Wolf
(Chief Executive Officer)
Stefan I epp
Mathias Papenfuß
Katja Rosenkranz

Aktiengesellschaft
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URD and EIA review

Given the complexity of the matter, during the review of the URD and the EIA, some areas have been identified which need further clarification and detailing. For the specific comments please refer to the two excel sheets enclosed.

User Requirements Document

- Schedule (fails management, reporting timings, maintenance window, etc.)
- Cross-border and external settlement flow
- Liquidity transfers
- Process for Issuer CSDs outside T2S
- Harmonisation (e.g. settlement discipline, validation rules, etc.)
- Prioritisation and realisation of national specificities

Clearstream strongly believes that it is of utmost importance to achieve an agreement with the market regarding the above topics before the User Detailed Functional Specification (UDFS) process starts. Thereby a stable basis both for the ECB's decision to move into the next phase and for the T2S Project Team as starting point of the detailed specifications will be achieved.

Economic Impact Analysis

Clearstream fully appreciates the sensitivity of this topic for all involved parties, as the major economic benefits of T2S will result from the possibility to dis-intermediate local agents and by fostering consolidation of smaller market participants both on the CSD and the banking layer. For details please refer to the comments in the attached excel sheet.

Independently from today's comments but depending on the outcome of the returned questionnaires, the methods described in the EIA document should be considered for re-evaluation.

Beside these topics a key issue for the CSDs and their customers is pricing and the implications for the cost structure of the post-trading business. Therefore more detailed information is required on:

- the reduction of settlement fees - both for the cash and the securities leg - for domestic and cross-border transactions
- the reduction of back-office costs resulting from standardisation, a single process and, potentially, single connectivity

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- the individual pricing components like connectivity, matching costs, security leg, cash leg, cash leg only (e.g. out of Corporate Actions (CA), Payment Free of Delivery (PFOD)), different DvP/FoP pricing
- the sharing of scale efficiency and other benefits between the participating markets according to their contribution, e.g. volume discounts

The above information will be needed both by the CSDs and market participants as soon as possible to allow all parties to derive individual business cases which will be the base for their respective commitments in summer 2008.

Governance of T2S and form of Commitment

Unfortunately the Governance arrangements of T2S during the next project phases until implementation and in the production phase are still under discussion by the ECB Project Team. Moreover the envisaged legal, regulatory and contractual framework for outsourcing CSD's core activities to T2S is still missing. As there is a dependency between governance, functionality (e.g. depending on services the CSD has to maintain due to regulatory requirements) and consequently economic value (e.g. due to additional costs depending on the Governance structure), it is paramount to fully address the open Governance questions before moving to the next phase of T2S.

Clearstream is strongly in favour of a legally binding commitment in the form of a contractual arrangement by the Eurosystem. At the latest with the start of the build phase, national markets – including market participants, CSDs and other market infrastructures – have to invest in the adaptation of technical infrastructure and processes, therefore requiring legal certainty and committed milestones from the Eurosystem. These investments can only be justified if based on firm commitments from both the Eurosystem to deliver a defined scope in a defined timeframe and the relevant National CSDs to join T2S. The value of T2S is strongly determined by the number of CSDs joining T2S. Market participants need this information to take a sound business decision. Clearstream therefore strongly believes that a firm commitment by the Eurosystem, potentially as a one-sided open offer to all parties, will make the subsequent commitment for CSDs and thus their market participants substantially easier.

In the next phase, we see the need to differentiate between market participants and CSDs who have given a commitment to join T2S and others that have decided not to do so. Therefore, the governance in the next phase of T2S should only include market participants and CSDs which

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have committed to T2S in a written procedure and are willing to dedicate meaningful resources to the process on a working level. In this way, it may be ensured that only those parties which will finally use T2S and/or are investing substantial resources into the T2S process are involved in the design of the detailed scope and features. Thereby complexity will be reduced and a lean T2S, concentrating on the necessary features, can be achieved.

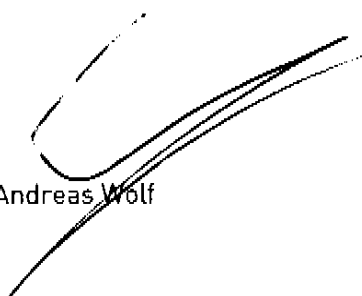
Conclusion

Although the URD and EIA constitute a tremendous achievement, the review of the provided documents already gives an outlook on the challenges for the specification phase and the creation of the detailed specification (UDFS): Within the next phase a dedicated technical architecture must be provided. In addition, details regarding the integration of the three Eurosystem platforms T2C, T2S and CCBM2 need to be provided on a more detailed level. Clearstream will continue to actively contribute to the T2S process and continuous its offer to support the T2S project team with expertise moving forward.

In addition to its support for T2S as one of the key drivers for harmonisation in the European post-trading landscape, Clearstream will continue to promote the harmonisation and integration of the European Financial Markets with parallel activities both under the umbrella of ECSDA and by working together with other CSD's. With all its activities Clearstream recognises and commends T2S as a major building block in the harmonisation of the European Financial Markets.

Clearstream is open for further dialogue on the enclosed commentary.

Yours sincerely,



Andreas Wolf



Katja Rosenkranz